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Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Report of the Office of Internal Oversight Services on the audit of mission subsistence allowance policies and procedures

Summary

Pursuant to General Assembly resolution 58/258, the Office of Internal Oversight Services (OIOS) conducted a further audit on the question of mission subsistence allowance (MSA) rates. Mission subsistence allowance is a daily allowance paid to United Nations international civilian staff, military observers and civilian police in special peacekeeping missions to cover subsistence costs. MSA payments continue to constitute approximately 15 to 20 per cent of overall peacekeeping costs.

The Office of Internal Oversight Services reviewed MSA rates in several of the largest peacekeeping missions and followed up on recommendations contained in the Secretary-General's 2001 report on MSA rates (A/56/648). In the report it was noted, inter alia, that the views of OIOS and those of the Office of Human Resources Management (OHRM) and the Department of Peacekeeping Operations (DPKO) differed markedly concerning the most appropriate relationship between MSA and daily subsistence allowance (DSA) rates: OIOS maintained that MSA rates should always be lower than DSA rates, while OHRM argued that the conditions of life in many duty stations were sufficiently arduous to warrant higher MSA rates.

These differing views persisted beyond 2001, during the preparatory work for the present audit. During extended discussions with OIOS, OHRM expressed strong resistance to lowering MSA rates automatically when DSA rates dropped.

After these robust representations from OHRM, there seemed little practical point for OIOS to persist in making recommendations that would continue to be

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resisted strongly by departments. However, there did appear to be a way out of this impasse. OIOS noted that in 2002, the Special Committee on Peacekeeping Operations had urged *the Secretariat to ensure that the allowance structure is reviewed, taking into account the adverse conditions of life and work affecting personnel in United Nations peacekeeping operations, and a fair service package is developed, in an open and transparent manner and that timely information is given to Member States. The Committee requests the Secretary-General to report to it on the action taken in this regard.* OIOS noted that the comprehensive review requested by the Special Committee on Peacekeeping Operations had not been undertaken.

Accordingly, OIOS recommended that the most constructive way of resolving its differences of opinion with OHRM and DPKO regarding MSA would be for the comprehensive review requested by the Special Committee on Peacekeeping Operations to be undertaken in a spirit of openness and transparency. OIOS further recommended that the review look into establishing a two-component MSA structure, with one component for subsistence (food, accommodation and incidentals) and the second component to compensate for the particular living conditions in duty stations. OHRM and DPKO have accepted this recommendation.

OIOS has also recommended that the review establish the method for working out the MSA rates based on a two-component structure and the timing of their adoption in the field.

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Abbreviations

MINURSO	United Nations Mission for the Referendum in Western Sahara
MONUC	United Nations Organization Mission in the Democratic Republic of the Congo
UNAMSIL	United Nations Mission in Sierra Leone
UNIKOM	United Nations Iraq-Kuwait Observation Mission
UNMEE	United Nations Mission in Ethiopia and Eritrea
UNMIBH	United Nations Mission in Bosnia and Herzegovina
UNMIK	United Nations Interim Administration Mission in Kosovo
UNMISET	United Nations Mission of Support in East Timor
UNOMIG	United Nations Observer Mission in Georgia
UNTOP	United Nations Tajikistan Office of Peacebuilding

I. Introduction

1. The present audit was conducted in response to General Assembly resolution 58/258 of 23 December 2004, in which the General Assembly requested the Secretary-General to submit an updated report on mission subsistence allowance (MSA) at the second part of its resumed fifty-eighth session. The initial findings and recommendations of the Office of Internal Oversight Services (OIOS) were discussed with the Office of Human Resources Management (OHRM) and the Department of Peacekeeping Operations (DPKO).

2. Under Staff Rule 103.21, the Secretary-General may designate certain assignments as special mission assignments during which MSA may be authorized. OHRM is responsible for monitoring staff conditions of service. For field missions, OHRM is also responsible for setting, monitoring and updating MSA rates.

3. According to the relevant administrative instruction, ST/AI/1997/6, MSA is a daily allowance payable for living expenses incurred by staff members in the field in connection with their temporary assignment or appointment to a special mission. MSA is payable to all international civilian staff, civilian police and military observers assigned to a special mission. MSA rates are determined on the basis of the cost of long-term accommodation, food and miscellaneous expenses at the duty station.

4. When a special mission is established, an OHRM compensation specialist conducts a field survey to gather data on living expenses that will serve as the basis for determining the initial MSA rates applicable to mission personnel. Upon completion of the survey, a report, with related recommendations, is submitted to the Assistant Secretary-General for Human Resources Management for review and promulgation of MSA rates on behalf of the Secretary-General. Subsequently, MSA rates are to be reviewed on a regular basis to verify that the various elements and costs taken into account in arriving at the initial rates are still valid. If necessary, OHRM conducts questionnaire surveys or field visits in the event the cost of living rises or falls.

5. In a previous OIOS report, entitled "Audit of the establishment and management of mission subsistence allowance rates" (A/56/648), a number of cases were noted where, contrary to the assumption of OIOS, MSA rates were higher than the daily subsistence allowance (DSA) rates established by the International Civil Service Commission (ICSC) for the same areas. From 2001 through 2004, OHRM surveyed several missions and adjusted the MSA rates. Although some rates increased, the subsequent reviews by OHRM resulted in decreased rates and achieved substantial savings in the missions' budgets.[1]

6. The present audit was intended as a follow-up to previous OIOS audits of MSA. The audit objectives were to: assess the reasonableness of MSA rates in effect at the largest special peacekeeping missions; review how effectively previous recommendations were being implemented; and identify ways in which to resolve the differing views of OIOS and those of OHRM and DPKO regarding certain aspects of MSA. The review also assessed the monitoring capacity of OHRM concerning the establishment and review of MSA rates, and covered OHRM and DPKO offices responsible for managing the establishment, monitoring and application of MSA during the period since the last review in 2001. The comments of OHRM and DPKO are shown in italics.

II. Findings

7. The objectives of the present audit were to determine if the MSA rates in particular missions were lower than, or did not exceed, the DSA rate established for the same location by the ICSC and to review the MSA monitoring processes of OHRM.

A. Level of mission subsistence allowance

8. OIOS adopted the principle that, since MSA rates were intended to cover longer-term expenses as opposed to more expensive shorter-term expenses, MSA rates should always be lower than DSA rates. However, this principle was disputed at the outset by OHRM, which noted that *DSA and MSA serve different purposes. While DSA is designed to cover expenditures incurred during short-term official travel under normal circumstances, MSA is intended to offset expenditures incurred over longer periods of assignment at a special mission under varying circumstances of mission service. OHRM noted that there is no solid justification for using a single comparison with DSA rates to determine MSA rates, or to trigger adjustments in MSA rates ... there should not be an automatic adjustment of MSA rates based on changes in DSA rates.*

9. Additionally, OHRM correctly pointed out that *a mechanism did not exist which would compensate staff for such factors as security and safety issues, poor medical conditions and restrictions on movement found in missions. MSA remained the only allowance exclusively payable to staff serving in such missions.*

10. To establish the "miscellaneous component" of the current MSA rate, OHRM uses the ICSC benchmark of 15 per cent of the sum of long-term accommodation and food costs in cases where surveys indicated costs were below 15 per cent. However, in missions where questionnaires or survey results indicate miscellaneous expenses higher than the 15 per cent calculation, the actual figure is used.

11. OIOS had suggested that this practice artificially inflates MSA rates and should be discontinued. OHRM disagreed, and responded that *in establishing the incidental portion of MSA, it takes into account the prevailing conditions of life and work in the particular mission area. As shown in data provided by OHRM, the miscellaneous portions may in fact be above or below 15 per cent and may vary from mission to mission. The recommendation of OIOS to use a benchmark of 15 per cent of the sum of long-term accommodation and food expenses in establishing the miscellaneous component of MSA would not capture the actual and verifiable living expenses of field personnel.*

12. OIOS selected seven missions for review. These are MINURSO, MONUC, UNAMSIL, UNOMIG, UNMEE, UNMIK and UNMISET.

13. Based on the principle that MSA rates should always be lower than DSA rates, OIOS found that in three missions (MINURSO, UNMEE and UNMISET), MSA rates were higher than the DSA rates applicable in those mission areas.

14. Concerning MINURSO, OIOS pointed out to OHRM that it should lower the MSA rates from $50 to $14 (15 per cent of the $93 DSA). OHRM did not agree, stating that *its field visit to MINURSO noted that the poor conditions under which staff live and work, including difficulties in accommodation, such as physical*

isolation, few sources of entertainment, severe climate conditions, lack of privacy due to shared accommodation and poor quality and lack of variety of food served. OHRM had therefore taken into account the additional expense incurred by staff as a result of these factors in setting the MSA rate at $50 per day as determined by the on-site review.

15. At UNMEE, the MSA rate was $80 for both Eritrea and Ethiopia. However, DSA rates, as established by ICSC, were $69 for Eritrea and $57 for Ethiopia. OIOS considered that the MSA rates should be reduced to these respective amounts. OHRM and DPKO did not agree, noting that in their view, it was not appropriate to have two different rates, and pointed out that *the operational demands of UNMEE, which operates in two countries, and where staff are required to move around within the mission areas, would be better met if a single MSA rate were established mission-wide instead of having two separate rates.*

16. OHRM and DPKO noted that *in Addis Ababa, while the after 60-day DSA rates were lower than the current MSA rate of $80, most UNMEE staff chose to reside in the Hilton or Sheraton Hotels and the MSA rate would have to be set at at least $131 if the approach suggested in the audit were used. Similarly, in Asmara, the MSA rate would also have to be adjusted to that of the current DSA rate applicable to the Intercontinental Hotel ($137) where most UNMEE personnel reside in Eritrea.* They also reiterated that *there is no solid justification for using a single comparison with DSA rates to determine MSA rates or to trigger adjustments in MSA rates.*

B. Timing of the adoption of new mission subsistence allowance rates

17. The review by OIOS of OHRM reports concerning its cost of living surveys showed that whenever an MSA rate was to be decreased, OHRM gave the mission three months' notice before implementing the new rate. This applied particularly to MINURSO, MONUC and UNIKOM. However, when an MSA rate was to be increased, the new rate was implemented in the month following the issuance of the report. OHRM pointed out that *this refers to the special circumstances OHRM faced back in 2001/2002 when OHRM had announced drastically lowered MSA rates which were never implemented as a result of the complaints received by DPKO. Ms. Salim made the specific decision to give three months' notice in those duty stations which were most affected. You will recall that in 2002, OHRM undertook many on-site reviews (MINURSO, UNIKOM, MONUC, UNAMSIL, UNMIBH, UNTOP). The results of these reviews were subsequently implemented.*

18. OHRM responded that it applies a consistent and transparent methodology when using questionnaires and field surveys to ensure that MSA rates properly capture actual and verifiable living expenses. With the exception of the cases referred to above, OHRM reported that it had followed a consistent policy of making revised MSA rates effective from the first of the month following approval of MSA reports.

19. OIOS also noted that OHRM had not conducted the monthly comparison of MSA and DSA rates as recommended in the 2001 audit report of OIOS. OHRM responded that it *would agree, beginning January 2004, as an experimental measure, to undertake a comparison of movement of DSA vis-à-vis MSA rates*

on a monthly basis, on the understanding that there should not be an automatic adjustment of MSA rates based on changes in DSA rates.

20. OHRM further stated that it uses the results of MSA survey questionnaires to establish and adjust MSA rates. These results are then plotted and analysed using Microsoft Excel spreadsheets. This is a labour-intensive process. At MONUC, for example, 462 staff members participated in the survey. OHRM confirmed that, for large missions, on average, it could take up to three months to complete the questionnaire process, particularly in those missions where staff are scattered throughout the mission area. OHRM agreed that technological improvements would be beneficial. In the view of OIOS, the use of specialized software to conduct and analyse these reviews could significantly shorten the process and release staff resources for other tasks.

C. Different rates in the same mission area

21. The OHRM survey questionnaires did not cover locations other than mission headquarters, as the majority of mission personnel were usually located in the main city area. Over the years, a uniform MSA rate had been established throughout the mission area for ease of administration. However, with improved control by mission administration over internal and external movements of staff, OIOS sees no reason why different MSA rates, reflective of different costs of living at different locations in the mission area, should not be instituted. In the opinion of OIOS, OHRM should survey headquarters and other locations within the mission area individually, when appropriate, to establish multiple MSA rates which would more accurately reflect the variances in the costs of living.

22. OHRM noted that the operational requirements of a mission usually dictated that staff be rotated within the mission area. In the context of the overall management of a mission and in the interest of administrative simplicity, it has been found appropriate by OHRM and DPKO to establish a uniform MSA rate.

23. DPKO responded that *the suggestion to have different MSA rates for different locations within the mission area would be administratively cumbersome and labour-intensive, given the constant duty travel of personnel within the mission area. DPKO was of the opinion that any financial savings made would be offset by the expenses related to monitoring, calculating and administering the payments of different rates for different locations within the mission area.*

III. Conclusions and recommendations

24. It appears clear that OHRM and DPKO do not accept the principle that MSA rates should always be lower than DSA rates in all cases. In the view of OIOS, a practical way forward would be to implement the recommendation of the Special Committee on Peacekeeping Operations calling for "the Secretariat to ensure that the allowance structure is reviewed, taking into account the adverse conditions of life and work affecting personnel in United Nations peacekeeping operations, and a fair service package is developed, in an open and transparent manner and that timely information is given to Member States. The Committee requests the Secretary-General to report to it on the action taken in this regard". Therefore, the principal

recommendation of OIOS in the present report is that the review recommended by the Committee on Peacekeeping Operations be conducted without delay.

Recommendation 1*

The Office of Human Resources Management and the Department of Peacekeeping Operations, assisted by independent experts, should conduct a review of the allowance structure for peacekeeping personnel, with particular reference to MSA (AP2004/600/13/01).

25. Based on discussions with OHRM and a review of written responses to the draft audit, it became clear that the conditions of life in the field were of major concern to OHRM and that to ensure transparency this element should be separated from the other aspects of food, accommodation and incidentals. OIOS therefore considers that the review recommended above should develop an MSA structure with two tiers or components: one for the costs of food, accommodation and incidentals; and the other to compensate for difficult living conditions (e.g. isolation, stress and lack of amenities).

Recommendation 2

The review of MSA should cover the conditions of service for staff serving in peacekeeping missions. The objective of this review should be to establish a "conditions of service" component of MSA to reflect the difficult living conditions encountered in the various field missions, in addition to the component for the costs of food, accommodation and incidentals (AP2004/600/13/02).

26. OHRM accepted recommendations 1 and 2. OIOS looks forward to the outcome of this review and stands ready to assist in ensuring that allowances for field staff are transparent and equitable.

27. The following recommendations should be examined in connection with the review proposed in recommendations 1 and 2 above.

Recommendation 3

The Office of Human Resources Management should perform a comparative analysis of MSA and DSA rates on a monthly basis. Differences between rates should trigger the adjustment of MSA rates in the concerned missions (AP2004/600/13/03).

28. *The Office of Human Resources Management agreed to undertake a monthly comparison of the two rates commencing in 2004. DPKO pointed out that, "By agreeing to this we understand that OHRM is undertaking this for monitoring purposes and not to establish a link between MSA and DSA."*

Recommendation 4

The Office of Human Resources Management should apply a consistent policy in promulgating revised MSA rates by making new rates effective from the first day of the month following issuance of its final MSA report (AP2004/600/13/04).

* The symbols in parentheses refer to an internal code used by OIOS for recording recommendations.

29. *The Office of Human Resources Management advised that the time between the submission of its report and implementation of new MSA rates was in most cases immediately following the month of report completion. DPKO suggested that missions have three months' notification to allow staff to make necessary adjustments in spending in cases of lower MSA rates and to put higher rates into effect immediately.* OIOS is of the view that unnecessary expenditures related to administrative arrangements in cases where MSA is reduced should be avoided. Significant decreases in MSA will be unlikely in the future owing to more regular monitoring and more frequent adjustment of rates.

Recommendation 5

The Office of Human Resources Management should develop or acquire specialized software that will facilitate the electronic distribution, completion and analysis of survey questionnaires (AP2004/600/13/05).

30. *The Office of Human Resources Management agreed that technological improvements would be beneficial.*

(*Signed*) Dileep **Nair**
Under-Secretary-General for Internal Oversight Services

Notes

[1] OIOS reports detailed projected annual savings related to MSA (see A/56/381 and A/57/451).